

ENTELECT LIMITED

(ASX: ESN)

25 July 2011

ASX and Media Release

Re Activities Update

Educational Games Developer, Entellect Limited (**Entellect** or the **Company**) is pleased to provide an update on the activities of its 60% owned subsidiary, Knowledge Nation Pte Limited, and the re-launch of its vPublisher products, following the very important re-quotation of its shares on the ASX earlier today.

HIGHLIGHTS:

- Commencement on several key 'education through entertainment' initiatives;
- Expands its concept on fun-based educational and learning games strategies;
- Will offer research type scholarship to select Universities;
- To release exciting and innovative creative competition on games-based learning; and
- Appoints highly credentialed Vice President to head its games development program.

**** The Company attaches a copy of the Update for shareholders' and the market's information.**

Entellect is pleased that its shares were successfully re-quoted today following a significant period of re-consolidating, restructuring and rebuilding the Company's corporate, capital and project base. Importantly, and somewhat uniquely, Entellect has been able to achieve this without the normal dilution of an acquisition and the substantial costs and outgoings associated with a project purchase. By developing its own initiatives within a joint venture and alongside experienced and expert partners and affiliates, the Company has and will further be able to expend its funds on development and advancement instead of on costly acquisitions.

Entellect is also pleased to advise on the re-launching of its vPublisher products. The Company was fortunate to be able to finalise arrangements with the Liquidator of a former ESN subsidiary before the vPublisher products were lost to the Company.



Knowledge Nation:

Entellect's excitement and belief in its games-based educational concepts and strategies continues to rapidly grow. As the world moves exponentially forward in the use of mobile platforms to deliver ever-expanding communication and vast amounts of content to the world, the use of these devices to gain knowledge becomes more and more obvious and essential. Knowledge Nation is convinced that there will be dynamic, sustained growth in the games-based learning market over the coming years.

Advancements in mobile device functionality and connectivity will make the delivery of product more rapid, more flexible and more affordable. The Knowledge Nation concept has worldwide application, including in countries or areas that may not previously have been viable for a technology-driven approach to education.

By connecting learning with fun and with play, the Knowledge Nation platform and strategies will place Entellect in an extraordinarily advantageous position and on a steep revenue growth path. (See full Update below.)

vPublisher:

vPublisher is a market ready internationally deployable product, capable of working in all languages, including Asian languages and is deployable on all standard operating systems. Entellect exclusively holds the intellectual property in vPublisher.

With the rapid adoption of eReaders, and new tablet computing devices, including the Apple iPad™, Blackberry Playbook™ and Samsung Galaxy™, Entellect believes there is now a mature market and increasing demand for e-book content capable of being delivered by its vPublisher product. Wholesale market opportunities also exist that would enable larger application providers to incorporate the product by way of licence within their offering. vPublisher is also used as an online procurement tool embedded in online e-catalogues with interactive e-commerce features allowing customers to readily order from large product ranges online.

Other revenue opportunities include the creation of derivative applications, such as:

- Student assignment assembly and presentation
- Self-publishing of books
- Online video gaming

vPublisher has also been invited into exclusive development communities with a major telecommunications provider and global software developers. These communities provide a channel for vPublisher to be commercialised through license sales, technology licensing and exclusive product development agreements.

The vPublisher Business will draw upon the very extensive market and product knowledge of returning employee Mr Craig Sinclair, Head of Product and principal author of the vPublisher software.

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KNOWLEDGE NATION™

— Learning is Child's Play —

UPDATE

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Knowledge Nation Pte Ltd (“Knowledge Nation”) is a games-based, educational joint initiative of Entellect Limited (ASX: ESN) - 60%; Mooter Media Limited (ASX: MMZ) - 20%; and Hot Shot Media (Singapore) Limited - 20%.

The Knowledge Nation Project is based upon the simple concept of gaining and retaining knowledge through the process of fun, involvement and entertainment a “work through play” philosophy -

The Company’s games related learning strategies bring together a unique fusion of expertise in the use and adaptation of web, mobile and console based games, significant intellectual property and technology innovations within the field of educational games and proven in-house operational experience in game design, curriculum correlation, instructive strategies, and the marketing and distribution of games-based learning products.

Knowledge Nation takes popular games entertainment products and uniquely inserts cleverly designed, curriculum-aligned, educational content (“Syllabytes”) into the games format in a way that enhances rather than detracts from the game and the fun.

The Project is led by Professor Paul Fullwood, the former Vice President of Product Development for Lightspan and the strategist behind the development of over 100 successfully deployed titles across the entire United States. Lightspan remains, to this day, the most commercially successful NASDAQ educational games IPO.

Knowledge Nation announced today the appointment of Matt Seeney (a leading expert in the field of games-based learning from the UK), as Vice President of Gameology. Matt has over 10 years of experience in the industry, as well as numerous award-winning educational games, papers, books and keynote presentations. Matt will be responsible for ensuring an effective blend of game design and pedagogy (the methods or strategies behind teaching) to significantly increase the efficacy of Knowledge Nation games and their subsequent uptake in multiple territories around the world.

Knowledge Nation also advises on the commencement of several key initiatives. The Company will launch multiple strategic programs designed to initiate and reinforce the Company's commitment to the educational market and the exceptional opportunities it presents.

Knowledge Nation will be offering paid internships to certain post-graduate students in the field of games-based learning to Universities. The company will also offer funded research-sabbaticals at their San Francisco headquarters to University faculty members from around the world. Professor Fullwood remarked *"Our internship and sabbatical program represents a wonderful opportunity to strengthen links between academia and industry in the rapidly emerging field of using games for educational purposes."*

Knowledge Nation will also release, an exciting and innovative competition with a substantial prize fund (including software and hardware provided by industry associated, educational and games partners). The competition will be open to individuals or teams of talented game designers, learning experts and subject matter experts, with the goal of producing best-in-class examples of how existing entertainment games can be subtly modified to insert curriculum-aligned educational content for 6-12 year olds. The primary target will be Universities and teaching institutions but the competition will also feature separate prize categories open to small, independent game developers, designers and strategists. Global experts in the international field of games-based learning and education will comprise the judging panel.

Knowledge Nation is uniquely targeting multiple international territories simultaneously, following a comprehensive filtering exercise to determine the most appropriate balance between funding risk, market size and profitability. The Company's platform enables the program to be highly flexible, adaptable, scalable and can be constantly reviewed, updated and modified to suit age, language, curriculum, culture and even gender. Knowledge Nation will focus initially on the crucial commencement of primary schooling to the equally crucial transition from elementary to high school.

Unlike competitors, the company plans to deliver these games as a homework adjunct product; therefore increasing the time that children are exposed to curriculum content each day. This has been proven to increase efficacy by at least 30%. Lightspan demonstrated and Knowledge Nation maintains that learning in a fun environment and learning while playing will substantially and effectively increase a child's knowledge and retention of that knowledge.

More people are playing video games than ever before. Leading analyst Gartner says that spending on games is set to increase to \$74 billion in 2011, growing to \$112 billion by 2015. Within the gaming software market, mobile gaming will experience the largest growth opportunity with its share increasing by 15 percent in 2010 to 20 percent in 2015.¹ Google believes that this sector will be worth at least \$5 billion this year², while Microsoft estimates are closer to \$9 billion.³

Governments, major corporations and games industry veterans alike view games-based learning as an emerging "blue ocean" with significant untapped potential. This week Fred Humphries,

Senior Vice President at Microsoft, met with President Barack Obama and business leaders from State Farm, Intel, AT&T, Time Warner, Accenture and others for a roundtable discussion on education reform.

New commitments announced during the roundtable included a program for research and development for next generation learning models and resources for students and teachers. Building on its history of commitment to education and recent \$25 million STEM scholarship grant program in Washington State Microsoft Education announced a new \$15M investment in research and development for immersive learning technologies including game based instruction and the creation of a lifelong learning digital archive. They believe that through the creation of these innovative solutions, the disengaged can become passionate problem solvers and the struggling student can be offered other pathways to success. ⁴

Games industry veterans, such as Atari founder Nolan Bushnell also recognize the potential for educational games to positively and significantly change our society. Through his startup Speed to Learn, Bushnell will try to get children to learn faster by integrating game play directly into education plans and has claimed that his Wordplay.com Spanish vocabulary game can help children learn Spanish five or six times faster than Rosetta Stone, the popular language software. ⁵

While in London to accept a BAFTA Fellowship award in 2010, Nintendo's top game Shigeru Miyamoto designer (creator of the best-selling Mario and Zelda franchises) stated that "Education is maybe the area where I am devoting myself the most", and that he aspires for the Nintendo DS to become a standard learning tool alongside textbooks and protractors. ⁶

Knowledge Nation is convinced that there will be dynamic, sustained growth in the games-based learning market and advancements in mobile device functionality and connectivity will make the delivery of product rapid, flexible and more affordable. This concept has worldwide application, including in territories that may not previously have been viable for a technology-driven approach to education, as well as those who see the immediate and long-term benefits of developing a knowledge-based economy.

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